

# Department of Commerce Budget Overview

**Joint Appropriations  
Subcommittee on  
Natural and Economic  
Resources**

March 2, 2011



**FISCAL RESEARCH DIVISION**  
A Staff Agency of the North Carolina General Assembly

# Budget Terms - Expenditures

- **Personal Services** - Expenditures for services rendered by employees, including fringe benefits
- **Purchased Services** - Expenditures for services required to ensure the ongoing operation of facilities and services
- **Supplies** - Expenditures incurred for the purchase of supplies or materials expected to be consumed within the normal course of operations and which are generally recurring in nature
- **Property, Plant, & Equipment** - Expenditures for acquiring ownership to real property, constructing additions to buildings, and furnishing buildings

# Budget Terms - Expenditures

- **Other Expenses** - Expenditures incurred for miscellaneous operational costs such as legal or permit costs, debt service, depreciation/amortization
- **Aid & Public Assistance** - Allocations to other agencies for a designated program, assistance, or special project.
- **Reserves** - Budgetary appropriations that are not available for disbursement until transferred to an expenditure account
- **Intra-governmental Transaction** - Consists of operating transfers, reimbursements, and transfers of appropriations with a Department or between Departments

# Budget Terms - Revenues

- **Tax Revenues** - Revenues generated from taxes levied in accordance with general statutes
- **Grants** - Revenues from governments or private organizations to be expended for a specific purpose, activity, or facility
- **Investment Income** - Income derived from financial investments or loans made by the State
- **Sales, Service and Rentals** - Revenue collected from the sale of services, rentals, or physical property

# Budget Terms - Revenues

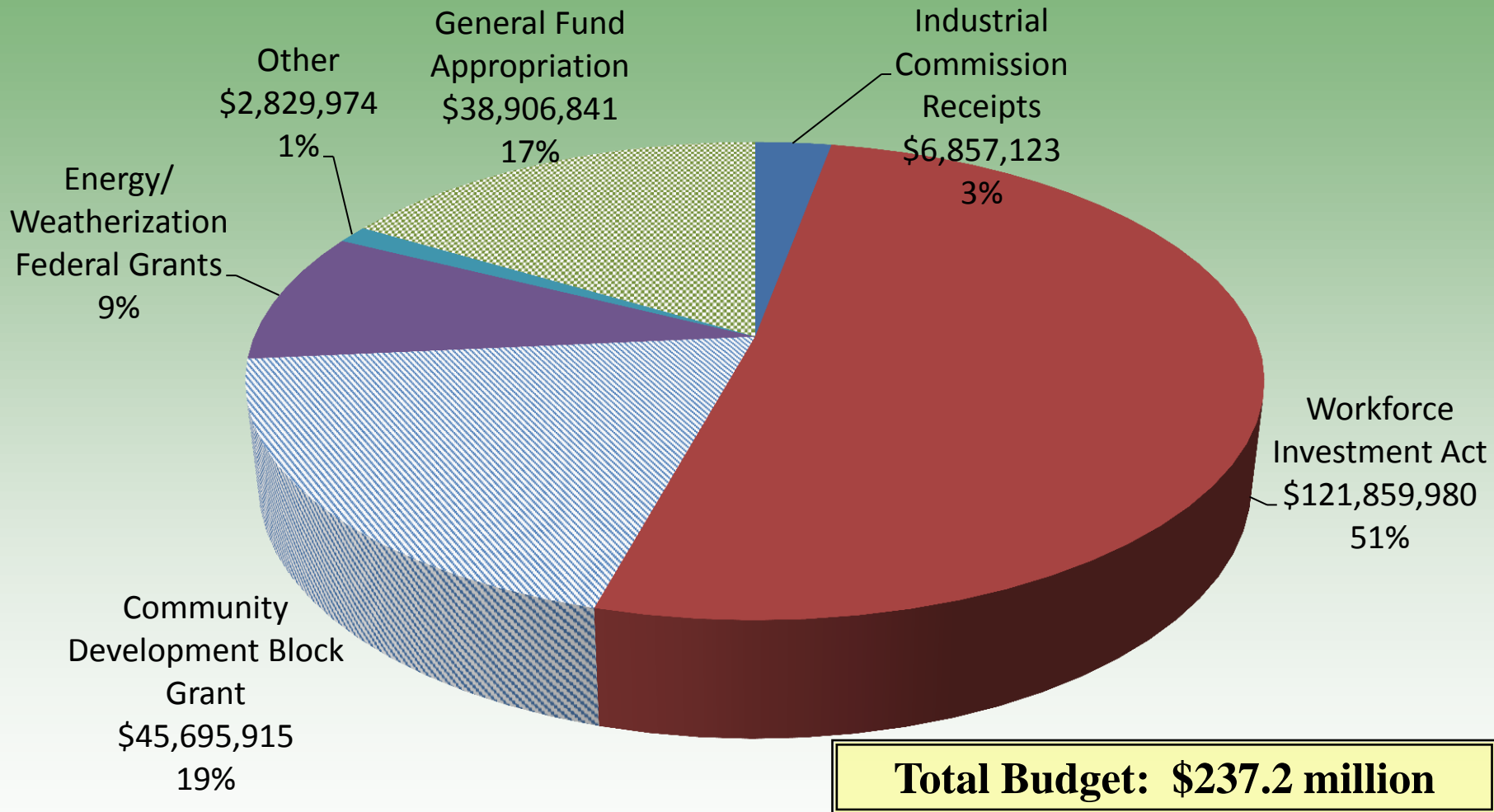
- **Fees, Licenses, and Fines** - Revenue collected from fines, permits, licenses, or fees from licensed activity, in payment for certification or in payment of a violation in state law
- **Contributions and Donations** - Includes gifts, donations and contributions received from private organizations and individuals
- **Miscellaneous** - Income from sources not classified elsewhere
- **Intra-governmental Transaction** - Consists of operating transfers, reimbursements, and transfers of appropriations with a Department or between Departments

# Department of Commerce Mission

*To improve the economic well being and  
quality of life for all North Carolinians.*



# Total Continuation Budget All Sources Receipts FY 2011-12



# Organization

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## **Administration**

- Fiscal Management
- Human Resources
- Public Affairs
- Secretary's Office

## **Management Information Systems**

## **Policy, Research & Strategic Planning**

## **Office of Science and Technology**

## **Energy Division**

## **Wanchese Seafood Industrial Park**

## **Business and Industry Development**

## **BLNC**

## **Finance Center**

- One NC
- Job Development Investment Grant (JDIG)
- Industrial Development Fund (IDF)

## **International Trade**

## **Tourism, Film, & Sports Development**

- Tourism
- Film Office
- Wine & Grape Growers Council
- 9 Welcome Centers

## **Marketing & Customer Service**

## **Community Assistance**

- Community Development Block Grant (CDBG)
- Main Streets Program
- 21<sup>st</sup> Century Communities

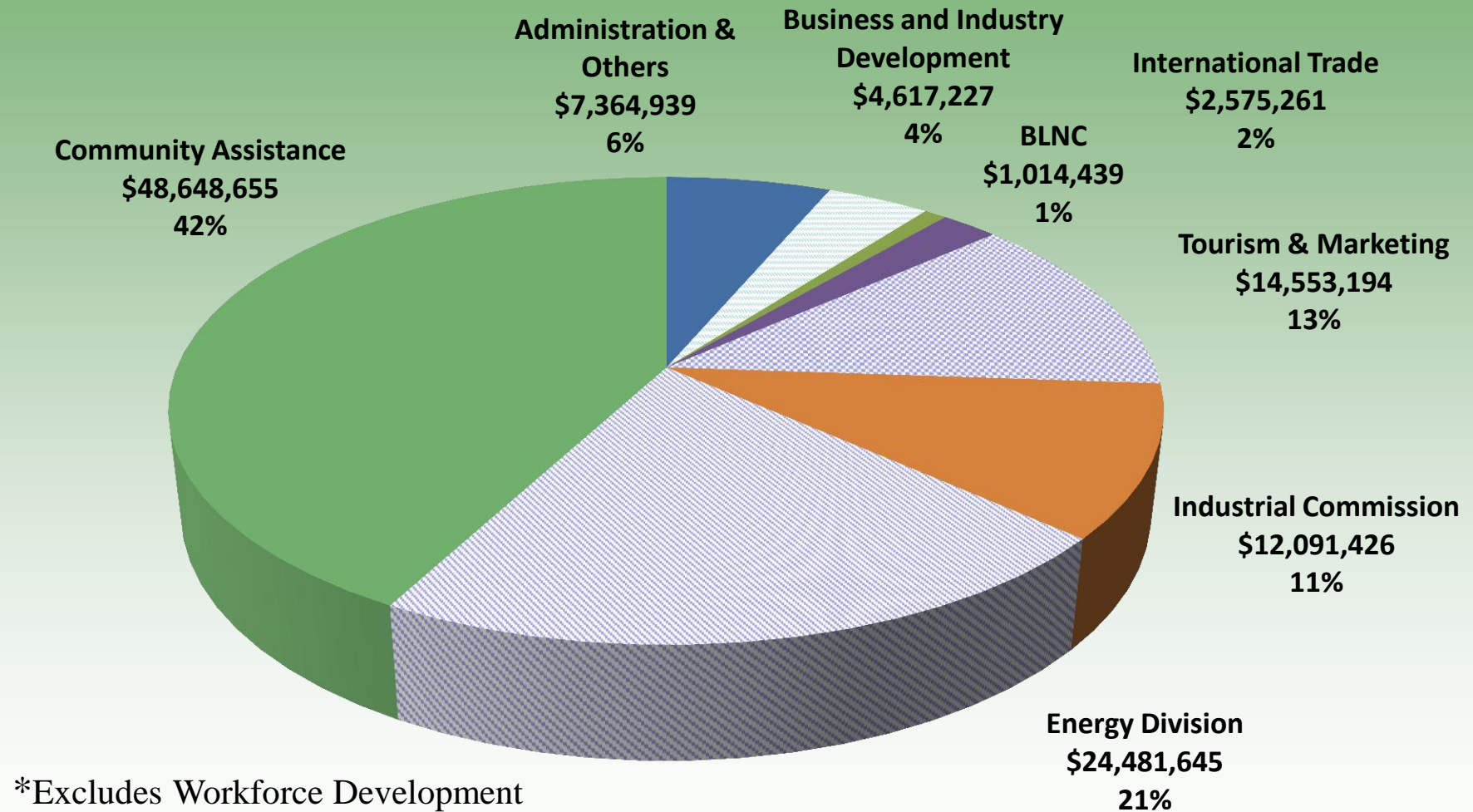
## **Workforce Development**

- One Stop/JobLink Centers
- 24 Workforce Boards

## **Industrial Commission**



# Budget by Division FY 2011-12



# Administration

- **Human Resources**
- **Fiscal Management**
- **Public Affairs**
- **Secretary's Office**
- **Legal**
- **Transfer to the Governor's Office**

- **1 Motor Fleet Management (MFM) Vehicle**
- **12 Cell Phones**

## **Continuation Budget**

Expenditures: \$3,141,748

Receipts: \$873,466

GF Approp: \$2,268,282

**11 Directors/Supervisors**

**23 Admin Staff**

**4 Other**

# Administration FY 2009-11 Actions

## **FY 2009-11 NCGA Actions**

- Eliminate vacant admin assistant position (\$63,943)
- Reduce operating (\$20,000)
- Aircraft division transferred to DOT
  - \$300,000 cut and 2 positions eliminated
  - \$500,000, 2 aircraft, and 4 positions to DOT
  - Commerce retained \$127,315 for DOT aircraft rental
- Department-wide Reductions
  - Motor Fleet Management rate reductions (\$36,284)

# Administration Reversions

## FY 2010-11 Reversion

- \$631,859 in unused proceeds from the sale of the King Air
  - \$1,100,100 King Air sale price
    - \$55,005 handling fee to Administration
    - ~\$400,000 spent on renovation and repairs of remaining aircraft
    - Commerce indicated in May 2010 that they would revert \$450,000 to the General Fund in FY 2009-10; OSBM allowed them to carry funds forward instead (\$618,408)
- Additional \$54,097 credited to this fund but reversions actually coming from Welcome Centers and Wine & Grape lapsed salary

# Administration FY 2011-13

## Agency/Governor Recommendations

### 5-10-15% Reduction Proposal

none

### Governor's Recommendations

	<u>FY 2011-12</u>	<u>FY 2012-13</u>
Employee Retirement Incentive Program	(\$106,415)	(\$265,336)
Transfer ESC to Commerce	(\$251,400)	(\$377,100)
Centralize HR functions under State Personnel	unknown	

# Administration FY 2011-13

## Additional Cut Options & Issues

- Eliminate transfer to Governor's Office
  - \$192,354
- Properly budget legal staff & contracts
  - Currently pay Attorney General with lapsed salary
  - General Counsel funded with nonrecurring One NC funds
- Reduce Public Affairs staffing
  - Eliminate one position
    - ~\$50,000
  - Transfer position from Energy Division

# Administration FY 2011-13

## Additional Cut Options & Issues

- Adjust payment from Boards & Commissions
  - \$873,466 in receipts for HR, budget, finance assistance
  - Current amounts not based in formula
- Secretary's Office - reduce support staff FTE
  - 8 employees; 4 are administrative assistants
  - ~\$50,000 for each position cut
- Transfer 2 Assistant Secretary positions to appropriate divisions
  - No savings but properly aligns budgets
- Eliminate Director of Office of Rural Programs
  - ~\$85,000

# Management Information Systems (MIS)

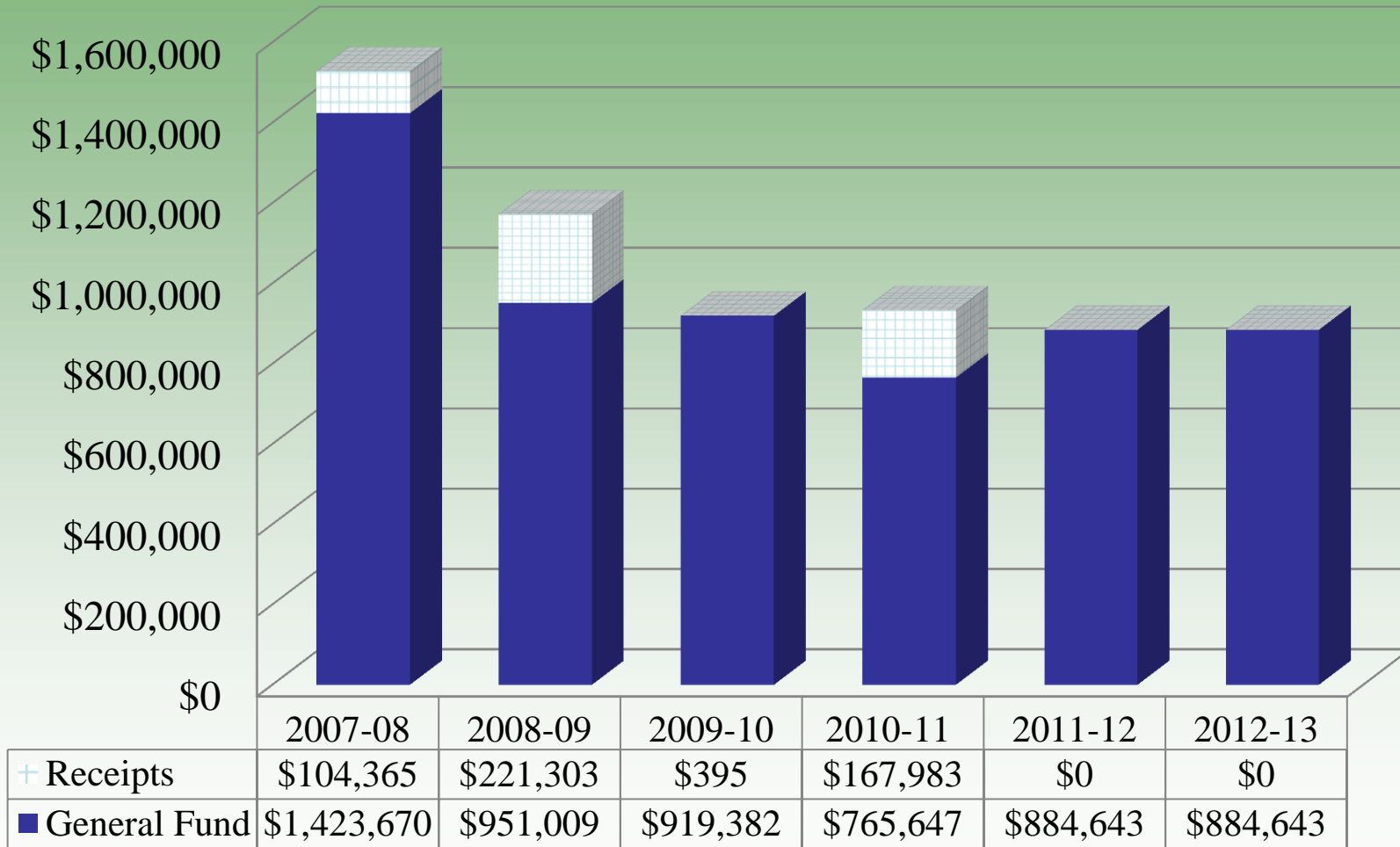
- Hardware/software
  - Installation
  - Administration
  - Maintenance
- IT security
- Network administration
- Website administration
- Custom software development

**Continuation Budget:  
\$884,643; 7 FTE**

**1 Director  
1 Deputy Director  
5 Employees**



# MIS Historical Funding



# MIS FY 2009-11 Actions

## **FY 2009-11 NCGA Actions**

- Department's overall IT budget (across divisions) was reduced by \$755,242
- Transferred 3 positions to ITS (\$250,000)

## **FY 2010-11 Reversion**

- \$18,552 in operating

# MIS FY 2011-13

## Recommendations & Options

### 5-10-15% Reduction Proposal

- none

### Governor's Recommendations

- none

### Other Options

- Eliminate Deputy Director position
  - ~\$125,000
- Reduce operating (same as reversion amount)
  - \$18,552

# Policy, Research, & Strategic Planning (PRSP)

- **Policy Analysis**
- **Economic Research**
- **EDIS – Economic Development Intelligence System**
  - provides economic developers and companies with site-specific information, population data, county statistics, etc

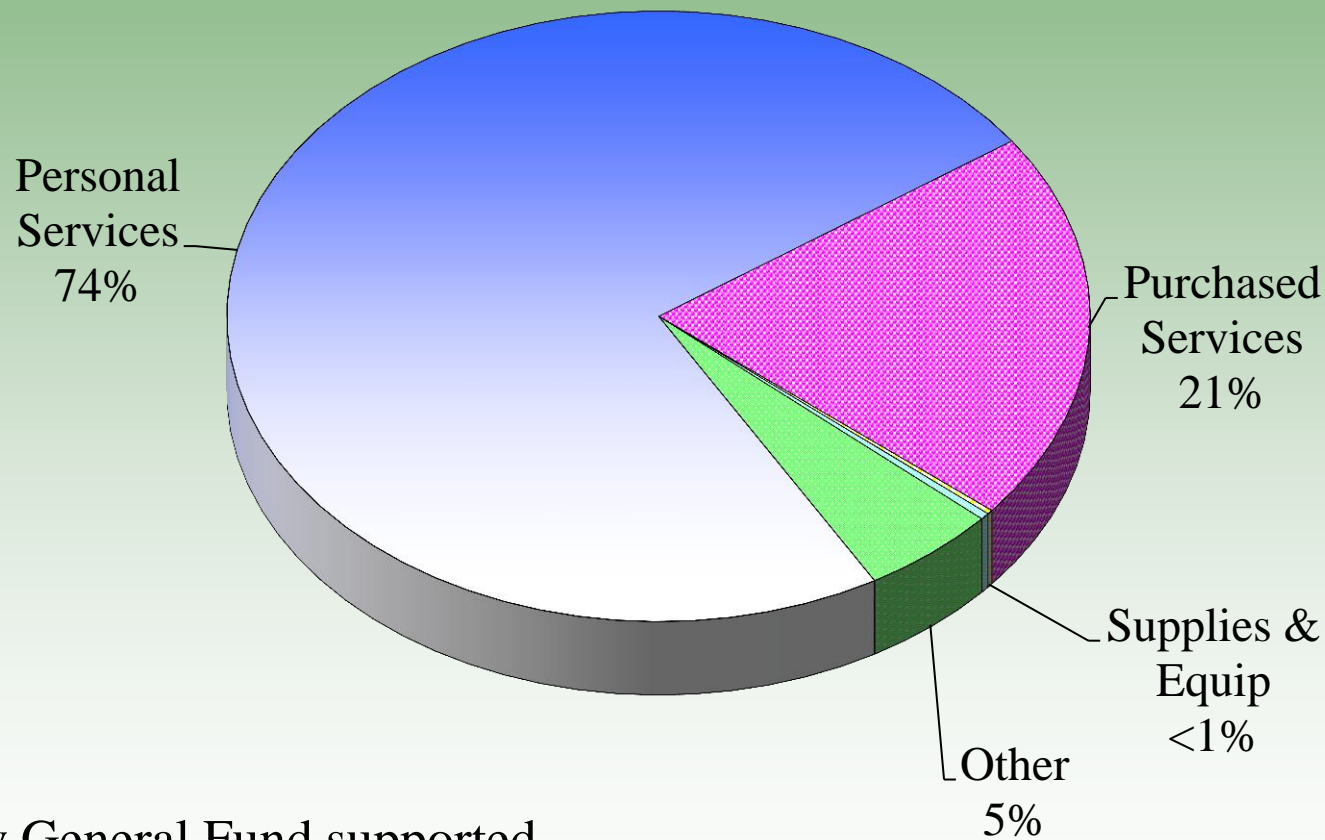
**Continuation Budget:**  
**\$1,216,749; 15 FTE**

1 MFM car  
7 cell phones

**1 Assistant Secretary**  
**4 Supervisors**  
**3 Admin support**  
**7 Employees**

# Policy, Research, & Strategic Planning

## FY 2010-11 Expenditures



- Entirely General Fund supported

# PRSP FY 2009-11 Actions

## **FY 2009-11 NCGA Actions**

- Eliminated vacant economist position (\$67,265)
- Reduced operating (\$20,000)
- Funded In-Source NC Network - \$150,000 NR

## **FY 2010-11 Reversion**

- \$31,143 in misc. contractual services

# PRSP FY 2011-13 Options

## **5-10-15% Reduction Proposal**

- none

## **Governor's Recommendations**

- none

## **Other Options**

- Merger with Employment Security Commission (ESC)  
could yield savings
- Reduce operating – MFM vehicle, cell phones
  - ~10,000

# Division of Business and Industry (B&I)

- Recruitment, retention, and expansion services

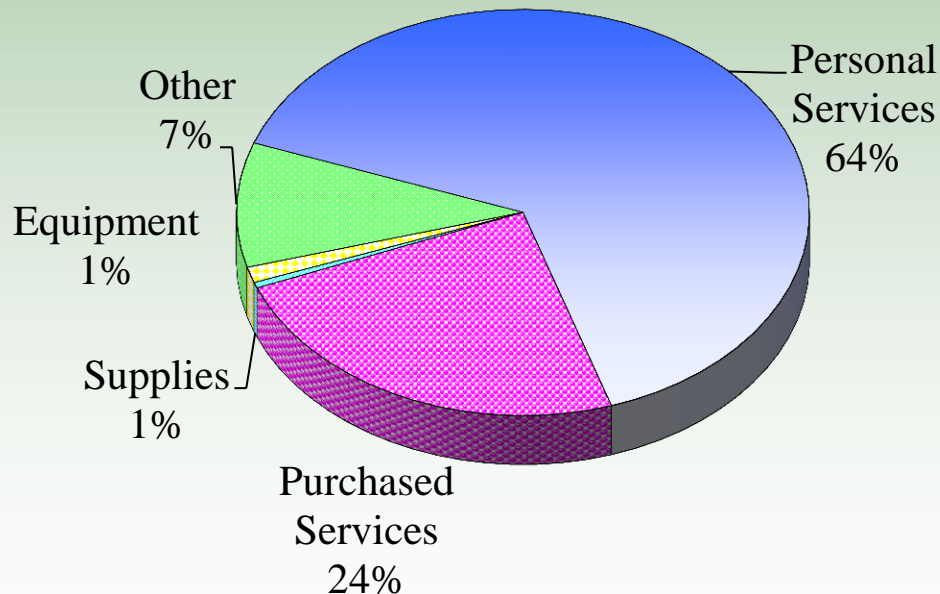
**Continuation Budget:  
\$4,617,227; 40 FTE**

**1 Director**

**6 Supervisors**

**6 Admin support**

**27 Employees**

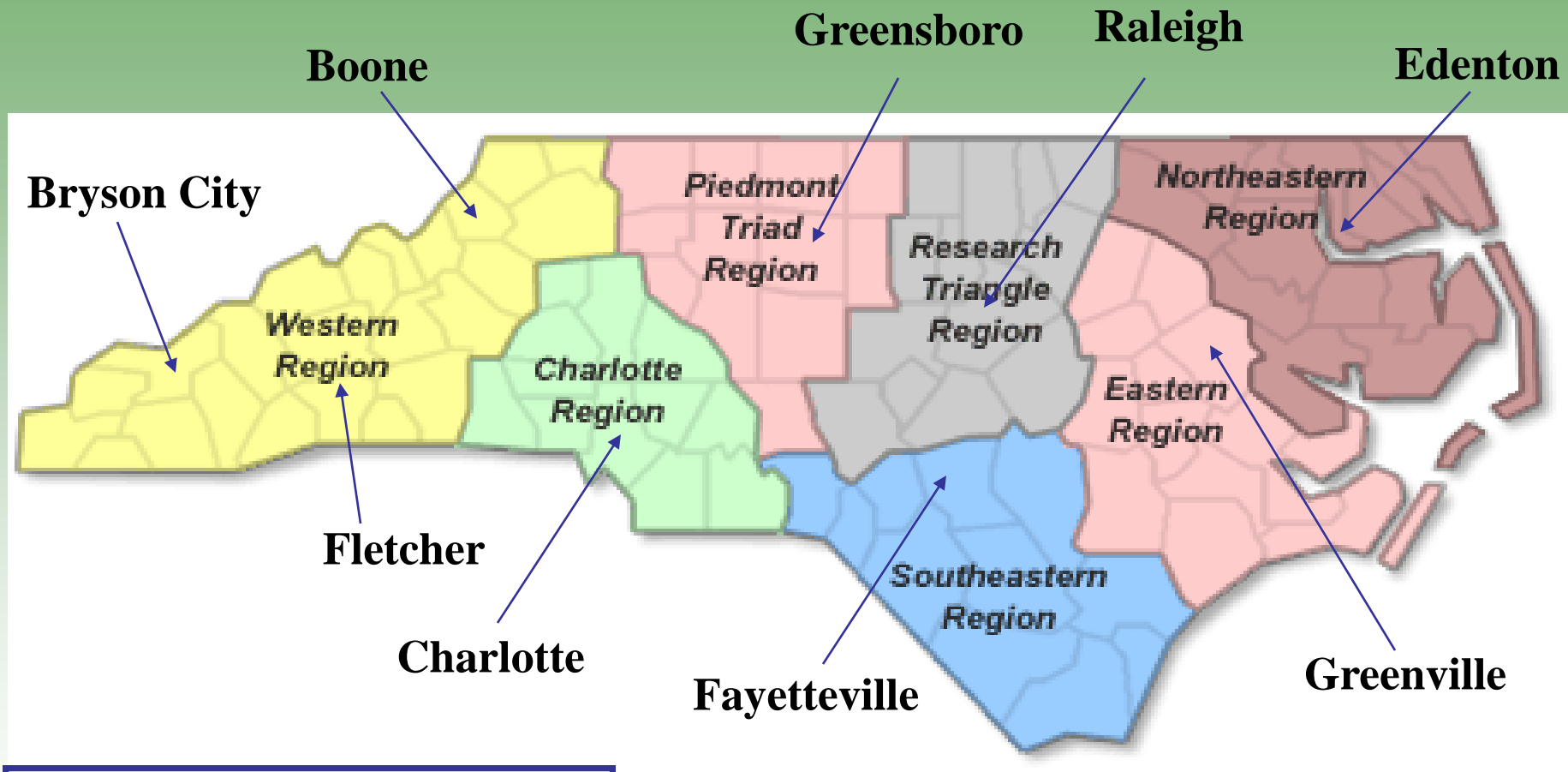


**35 cell phones**

**23 MFM vehicles**



# B&I Regional Offices



**9 Regional Offices**



# B&I FY 2009-11 Actions

## **FY 2009-11 NCGA Actions**

- Eliminated two vacant positions (\$87,441)
- Reduced operating (\$30,000)
- Reduced funding for international contractors (\$75,000)

## **FY 2010-11 Reversion**

- \$154,399 in supplies, postage, travel, advertising, etc

# B&I FY 2011-13 Options

## **5-10-15% Reduction Proposal**

- None

## **Governor's Recommendations**

- \$150,000 reduction to trade shows across B&I, International Trade, and Tourism

# B&I FY 2011-13 Options

- Reduce operating – MFM vehicles, cell phones, etc
  - ~\$50,000
- Eliminate transfer to Biotech Center
  - \$64,125
- Reduce number of developers (filled)
  - ~\$70,000 to 100,000 per position
- Eliminate 2 developer positions vacant > 1 year
  - ~\$130,000

# B&I FY 2011-13 Options

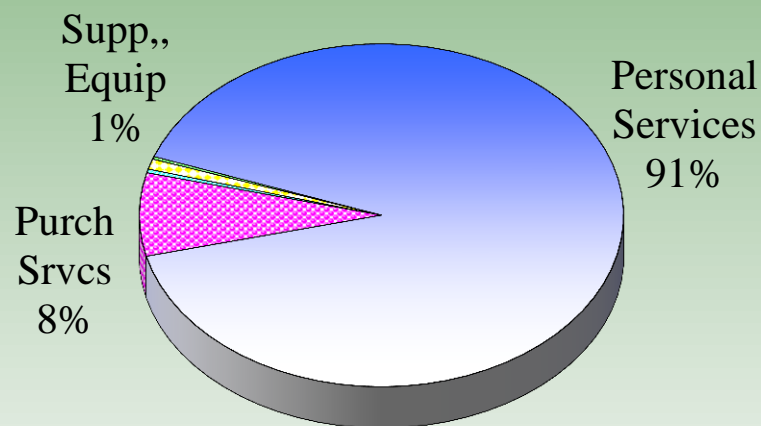
## Regional Offices

- Consolidate three western offices into one
  - Share office space with Community Assistance office in Asheville
- Close Greensboro & Fayetteville offices
- Consolidate two eastern offices into one

Boone	\$114,682
Bryson City	\$91,253
Charlotte	\$157,045
Edenton	\$15,350
Fayetteville	\$143,115
Fletcher	\$86,278
Greensboro	\$163,966
Greenville	\$151,654

# BLNC – Business Link NC

- One-stop for all business questions and needs
- Small Business Ombudsman
- Formerly Business ServiCenter



## Continuation Budget

Expenditures: \$1,014,439

Receipts: \$319,821

GF Approp: \$694,618

**1 Director**

**7 Employees**

**+ 7 funded with federal time-limited receipts**

**2 cell phones**

**0 MFM vehicles**

# BLNC FY 2009-11 Actions

## **FY 2009-11 NCGA Actions**

- No actions

## **FY 2010-11 Reversion**

- No actions

\*Part of Business & Industry until FY 2010-11

# BLNC FY 2011-13 Options

## 5-10-15% Reduction Proposal

- none

## Governor's Recommendations

- None

## Other Options

- Outsource functions to call center at Women's Prison
  - Savings would vary depending on extent of outsourcing



# International Trade

- **Expansion into foreign markets**
- **Exports**
- **Market research**

**1 Director**  
**1 Supervisor**  
**2 Admin Support**  
**6 Employees**

## **Continuation Budget**

Expenditures: \$2,575,261

Receipts: \$20,907

GF Approp: \$2,554,354

**10 FTE**

**8 cell phones**

**5 MFM vehicles**

# International Trade

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## 8 International Offices

- Mexico City, Mexico
  - Toronto, Canada
  - Frankfurt, Germany
  - Tokyo, Japan
  - Hong Kong
  - Shanghai, China
  - Sao Paulo, Brazil
- 
- Regional Office in High Point, NC



# Intl. Trade FY 2009-11 Actions

## **FY 2009-11 NCGA Actions**

- Eliminated General Fund for Korea office (\$12,000)
- Eliminated performance bonuses for international contractors (\$25,000)
- Funded Asia and South America offices - \$200,000 NR

## **FY 2010-11 Reversion**

- \$68,659 in advertising

# Intl Trade FY 2011-13 Options

## **5-10-15% Reduction Proposal**

- None

## **Governor's Recommendations**

- \$150,000 reduction to trade shows across B&I, International Trade, and Tourism

# Intl Trade FY 2011-13 Options

- Close High Point Office
  - \$173,366
- Eliminate US-based services
  - B&I could refer to appropriate international contractor
  - 3 US Dept. of Commerce offices in NC
  - ~\$650,000
- Eliminate/reduce advertising
  - \$219,346
- Reduce administrative staff
  - ~\$45,000

# Commerce Finance Center

- Administers

- ✓ Job Development Investment Grant (JDIG)
- ✓ One North Carolina Fund
- ✓ Industrial Development Fund (IDF)
- ✓ Utility Account
- ✓ Job Maintenance & Capital Development (JMAC)
- ✓ Industrial Revenue Bonds

**3 cell phones**

**0 MFM vehicles**

## Continuation Budget

Expenditures: \$946,432

Receipts: \$103,138

GF Approp: \$843,294

**11 FTE**

**1 Director**

**1 Admin Support**

**8 Employees**

# Commerce Finance Center

- ✓ Job Development Investment Grant (JDIG)
  - a discretionary incentive that provides annual grants to new and expanding businesses measured against a percentage of withholding taxes paid by new employees.
- ✓ One North Carolina Fund
  - A discretionary incentive that provides financial assistance to businesses or industries that are making significant efforts to expand in North Carolina.
- ✓ Industrial Development Fund (IDF)
  - Assists local governments with industrial financing for eligible industries.

# Commerce Finance Center

## ✓ Utility Account

- Grants to local governments for water, sewer, gas, telecommunication, broadband, utility, or transportation infrastructure to be used for eligible industrial operations

## ✓ Job Maintenance & Capital Development (JMAC)

- Provides incentives to existing companies making significant capital investments in the State.

## ✓ Industrial Revenue Bonds

- offer qualified manufacturing facilities and certain solid waste disposal facilities convenient, long-term, flexible financing.



# Commerce Finance

## FY 2009-11 Actions

### **FY 2009-11 NCGA Actions**

- Funded One North Carolina - \$12.5 million NR
- Funded JMAC - \$6.5 million NR

### **FY 2010-11 Reversion**

- \$534,076 from One North Carolina

# Commerce Finance

## FY 2011-13 Options

### **5-10-15% Reduction Proposal**

- Eliminate IDF (\$320,107)

### **Governor's Recommendations**

- Eliminate IDF (\$320,107)
- Fund One North Carolina Fund - \$10 million NR
- Fund JMAC - \$8.5 million NR

# Commerce Finance

## FY 2011-13 Options

- Reduce administrative staff
  - ~\$45,000
- Reduce staff if incentives programs are not funded
  - varies

# Wanchese Seafood Industrial Park

- Development and promotion of seafood and marine-related industries.
- “(T)he only one of its kind in the nation”

*Outer Banks Coastal Guide*

## Continuation Budget

Expenditures: \$751,043

Receipts: \$335,300

GF Approp: \$415,743

**3 FTE**

**1 Director**

**1 Admin Support**

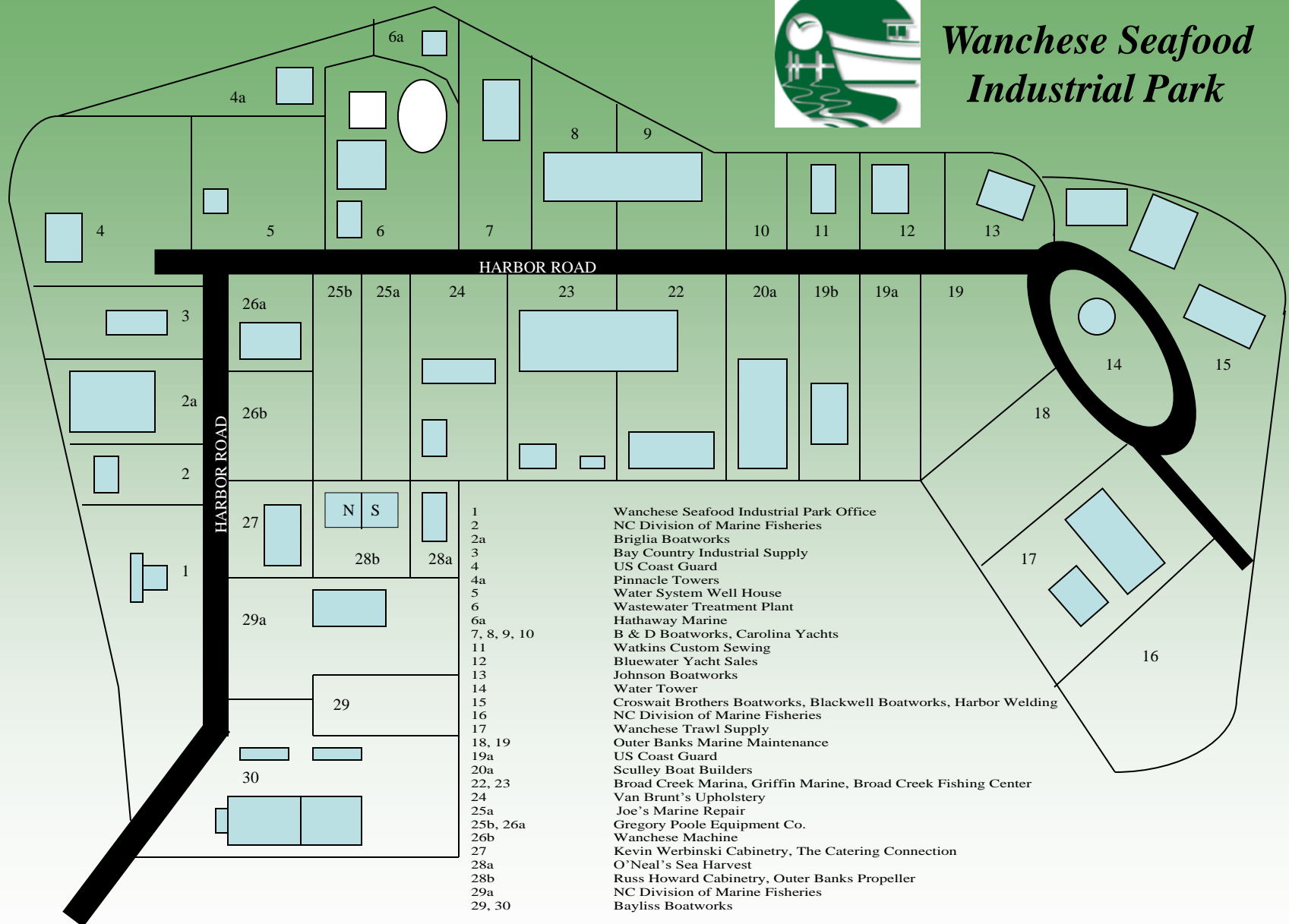
**1 Employee**

**2 cell phones**

**1 MFM car**



# Wanchese Seafood Industrial Park



# Wanchese FY 2009-11 Actions

## **FY 2009-11 NCGA Actions**

- Eliminated Oregon Inlet Funding (\$248,327) NR
- Reduced operating budget (\$10,000) R

## **FY 2010-11 Reversion**

- \$4,142 from repairs

# Wanchese FY 2011-13 Options

## **5-10-15% Reduction Proposal**

- Eliminate Oregon Inlet Funds (\$248,327) R

## **Governor's Recommendations**

- Eliminate Oregon Inlet Funds (\$248,327) R

## **Other Options**

- Shift to fully receipt supported
  - \$167,416

# Marketing Division

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- Markets the State as a business destination worldwide
- Provides support for the Department's website

## **Continuation Budget**

Expenditures: \$1,237,890

Receipts: \$50,599

GF Approp: \$1,187,291

**7 FTE**

**4 cell phones**

**0 MFM vehicles**



# Marketing FY 2009-11 Actions

## **FY 2009-11 NCGA Actions**

- Funds for business destination advertising
  - FY 2010-11: \$875,000 NR
  - FY 2009-10: \$203,885 NR

## **FY 2010-11 Reversion**

- \$29,095 travel, printing, software

# Marketing FY 2011-13 Options

## 5-10-15% Reduction Proposal

- none

## Governor's Recommendations

- none

## Other Options

- Reduce advertising
  - Total budget of \$636,417

# Tourism, Film, & Sports Development

- **Tourism Marketing**
- **Film Office**
- **Wine and Grape Growers**
- **Welcome Centers**

## **Continuation Budget**

Expenditures: \$13,315,304

Receipts: \$895,879

GF Approp: \$12,419,425

**84 FTE**

**1 Asst. Secretary**

**15 Supervisors**

**10 Admin Employees**

**58 Employees**

**16 cell phones**

**5 MFM vehicles**

# Tourism FY 2009-11 Actions

## **FY 2009-11 NCGA Actions**

- Funds for tourism marketing - \$1M NR
- Eliminate tourism matching grant program (\$129,976)
- Eliminate 4 vacant positions (\$142,974)
- Reorganize Heritage Tourism (\$360,711)
- Transfer Wine & Grape to General Fund \$828,000

## **FY 2010-11 Reversion**

- \$338,290 travel, postage, supplies, lapsed salaries

# Tourism FY 2011-13 Options

## **5-10-15% Reduction Proposal**

- Shift Welcome Centers to receipt-supported – license plate revenues

## **Governor's Recommendations**

- \$150,000 reduction to trade shows across B&I, International Trade, and Tourism
- Welcome Centers:
  - FY 2011-12 – close Tuesdays & Wednesdays, eliminate 17 positions & 11 part-time, on-call positions (\$600,000)
  - FY 2012-13 – Commerce and DOT work to privatize centers (\$1,900,000)

# Tourism FY 2011-13 Options

## Other Options

- Eliminate Wine & Grape billboard advertising
  - ~\$300,000
- Eliminate Welcome Center position vacant >1 year
  - ~\$35,000
- Reduce advertising budget
  - Total budget of \$8,382,399

# Energy

- Works to develop & expand green businesses and workforce
- Administers renewable energy programs and energy efficiency and the Utility Savings Initiative
- Administers State's weatherization program
- Develops energy policy



# Energy

## **Continuation Budget**

Expenditures: \$24,481,645

Receipts: \$21,142,774

GF Approp: \$3,424,712

**57 FTE**

**1 Assistant Secretary**

**1 Director**

**11 Supervisors**

**5 Admin Support**

**39 Employees**

\*Several of these are ARRA time-limited

**38 cell phones**

**3 MFM vehicles**

**2 Regional Offices**

- **Asheville**
- **Winston-Salem**



# Energy FY 2009-11 Actions

## **FY 2009-11 NCGA Actions**

- FY 2010-11 transferred from Administration to Commerce
- Reduced Utility Training Sessions (\$127,657)

## **FY 2010-11 Reversion**

- \$84,737 miscellaneous contractual services

# Energy FY 2011-13 Options

## **5-10-15% Reduction Proposal**

- Eliminate pass-through funding to University Energy Centers - \$2,690,000

## **Governor's Recommendations**

- Eliminate pass-through funding to University Energy Centers - \$2,690,000

# Energy FY 2011-13 Options

- Transfer Public Information Officer to Commerce Public Affairs office
- Eliminate remaining General Fund appropriation
  - \$869,212
  - Use \$2.4 million fund balance in Stripper Well account

# Office of Science and Technology

- **One NC Small Business Fund**
  - Provides matching funds for Small Business Innovation Research and Small Business Technology Transfer (SBIR/STTR) federal grants
- **Green Business Fund**
  - Provides grants to private businesses, non-profits, and State agencies to encourage the growth of the green economy in North Carolina.
- **Energy Research**
  - Provides matching funds for federal Department of Energy Grants
- **Support to Board of Science & Technology**

**Continuation Budget:**  
**\$381,234; 4 FTE**

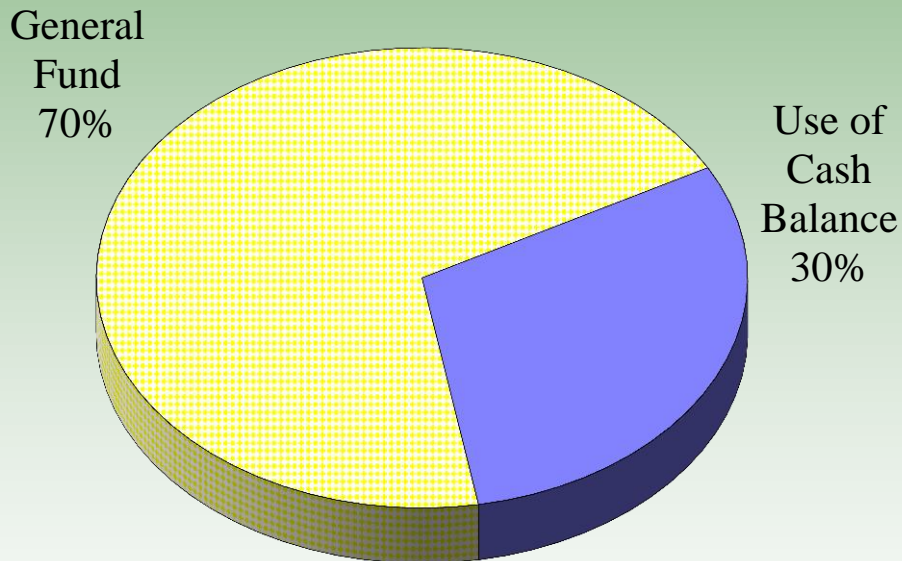
**1 Director**

**1 Admin Support**

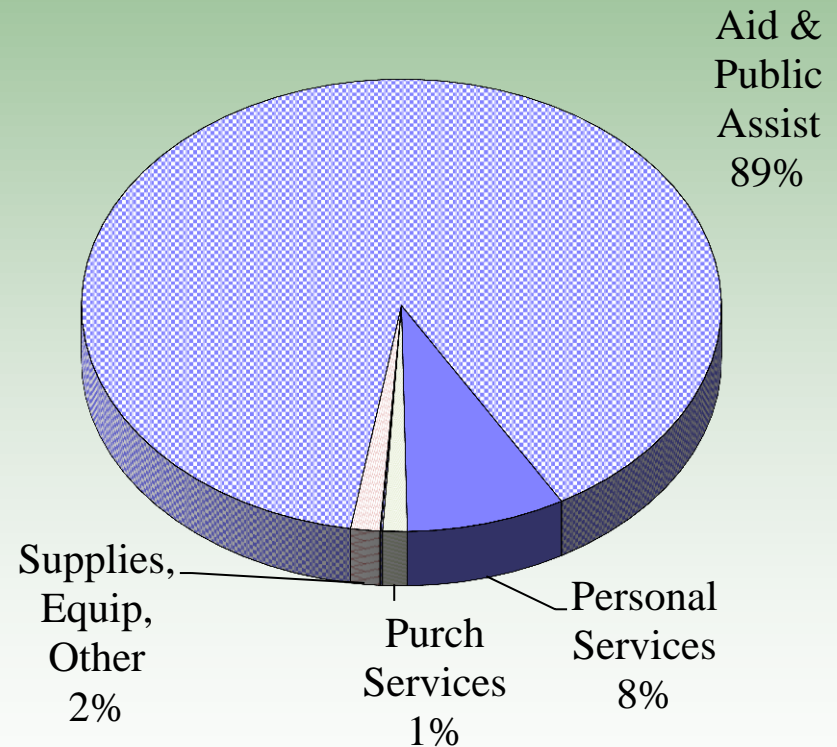
**2 Employees**

# Office of Science and Technology

**FY 2010-11  
Receipts**



**FY 2010-11  
Expenditures**



# Sci/Tech FY 2009-11 Actions

## **FY 2009-11 NCGA Actions**

- Operating reductions of \$18k
- Funded One NC Small Business - \$700k NR & \$1.5M NR
- Funded Energy Research Grants - \$1 million NR
- Allocated \$5 million in ARRA to Green Business

## **FY 2010-11 Reversion**

- \$30,326 from Energy Research grants

# Sci/Tech FY 2011-13

## Recommendations & Options

### 5-10-15% Reduction Proposal

- None

### Governor's Recommendations

- None

### Additional Options

- Transfer Sci/Tech functions to Energy Division – potentially rename and broaden scope
  - Eliminate administrative support ~\$60,000
  - Eliminate director ~\$120,000
  - Eliminate remaining operating ~\$30,000

# Division of Community Assistance (DCA)

- **Community Development Block Grant (CDBG)**
- **Main Streets**
- **Small Towns Main Streets**
- **Main Street Solutions**
- **21<sup>st</sup> Century Communities**
- **Planning assistance to local governments**





# Division of Community Assistance

## Continuation Budget

Expenditures: \$48,648,655

Receipts: \$45,695,915

GF Approp: \$2,952,740

**74 FTE**

**1 Asst. Secretary**

**1 Senior Advisor**

**3 Deputy Directors**

**10 Supervisors**

**17 Admin Support**

**43 Employees**

**16 cell phones**

**12 MFM vehicles**

**5 Regional Offices**

# DCA FY 2009-11 Actions

## **FY 2009-11 NCGA Actions**

- Funded Main Street Solutions program
  - FY 2009-10: \$2 million NR
  - FY 2010-11: \$1.5 million NR

## **FY 2010-11 Reversion**

- \$109,322 from Main Street Solutions

# DCA FY 2011-13 Options

## **5-10-15% Reduction Proposal**

- None

## **Governor's Recommendations**

- Eliminate vacant position (\$71,536)

# DCA FY 2011-13 Options

## Regional Offices

- Close or consolidate offices
- Pursue shared lease space with B&I, other State agencies

	<b>FTE</b>	<b>Annual Rent</b>
Asheville	9.5	\$38,196
Fayetteville	3.5	\$12,504
Wilmington	2	\$213
Winston-Salem	4.5	\$19,992
Washington	6	\$21,600

# DCA FY 2011-13 Options

- Eliminate Senior Advisor position
  - ~\$110,000
- Eliminate 21st Centuries Communities program
  - ~\$250,000
- Reduce non-CDBG funding to CDBG match level
  - CDBG requires in-kind match of 3% of total grant less \$100k - \$1.3 million
  - Could reduce non-CDBG programs (e.g., local planning, Main Streets) by \$1.7 million
  - Fund shift positions to CDBG funds
    - 5 vacant >1 year; 1 for over 5 years

# Questions?

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